

This record is a partial extract of the original cable. The full text of the original cable is not available.

121434Z Sep 00

CONFIDENTIAL PTQ9035

PAGE 01 HARARE 05072 01 OF 02 121436Z
ACTION AF-00

INFO LOG-00	NP-00	AID-00	AMAD-00	CEA-01	CIAE-00	CTME-00
DODE-00	SRPP-00	DS-00	EB-00	EXIM-01	E-00	VC-00
FRB-00	H-01	TEDE-00	INR-00	IO-00	ITC-01	LAB-01
L-00	VCE-00	AC-01	NSAE-00	OIC-02	OMB-01	OPIC-01
PA-00	PM-00	PRS-00	ACE-00	P-00	SP-00	SSO-00
STR-00	USIE-00	FMP-00	R-00	PMB-00	DSCC-00	DRL-02
G-00	NFAT-00	SAS-00	/012W			

-----84490A 121436Z /38

FM AMEMBASSY HARARE
TO SECSTATE WASHDC PRIORITY 7065
INFO SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
NSC WASHDC
USDOC WASHDC
DEPT OF TREASURY WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 HARARE 005072

SIPDIS

STATE FOR AF/S, AF/EPS, EB/IFD/ODF, EB/TPP/ODC
TREASURY FOR ED BARBER, GRACE SONE AND HOFFMAN BARAK
USDOC FOR 4510 ERIC HENDERSON
STATE PASS USTR/RWHITTAKER
NSC FOR SENIOR AFRICA DIRECTOR GAYLE SMITH

E.O. 12958: DECL: 08/31/07

TAGS: [EFIN](#) [PGOV](#) [ZI](#)

SUBJECT: IMF REVIEW TEAM PROVIDES A BLEAK OUTBRIEF
CONFIDENTIAL

PAGE 02 HARARE 05072 01 OF 02 121436Z
WITH NO NEW SURPRISES

CLASSIFIED BY ECON/COMM OFFICER MARK PROKOP, REASON
1.5 (B), (D)

REFS: A) HARARE 4883, B) HARARE 4084, C)HARARE 2684,
D) 1999 HARARE 6612

¶1. (C) SUMMARY: ON SEPTEMBER 12 THE IMF RESREP, ROBERT FRANCO, AND THE IMF TEAM LEADER, PAULO NEUHAUS, PROVIDED THE DONOR COMMUNITY WITH AN HOUR-LONG OUTBRIEF ON THE COMPLETED 2 1/2 WEEK-LONG ARTICLE IV REVIEW OF ZIMBABWE. NEUHAUS PROVIDED NO NEW SURPRISES OR BOMBSHELLS, BUT DID REVEAL, AS ANTICIPATED, THAT "THE CURRENT ECONOMIC SITUATION IS VERY BAD AND WORRISOME, AND THE OUTLOOK IS AT BEST, MIXED." LOOKING AHEAD, THE TEAM WILL NOW FINALIZE AND CIRCULATE THEIR REPORT IN WASHINGTON, THE GOZ ECONOMIC LEADERSHIP WILL MEET WITH TOP FUND MANAGEMENT IN PRAGUE, AND IN LATE NOVEMBER/EARLY DECEMBER A FORMAL ACTION RECOMMENDATION WILL BE PUT FORTH TO THE BOARD. FOR POSITIVE ACTION TO BE RECOMMENDED, BETWEEN NOW AND THEN ZIMBABWE MUST: RESTORE THE RULE OF LAW; DRAFT AND PRESENT A CREDIBLE 2001 BUDGET THAT DEMONSTRATES FISCAL RESPONSIBILITY WITH STRONG MEASURES; REVEAL WHAT THE LAND REFORM PROGRAM WILL ACTUALLY COMPRIZE; AND ADDRESS THE INTERTWINED HARD CURRENCY SHORTAGE AND STILL OVERVALUED, NON-MARKET DETERMINED FOREIGN EXCHANGE RATE.

CONFIDENTIAL

PAGE 03 HARARE 05072 01 OF 02 121436Z

¶2. (C) OTHER ECONOMIC DATA SHARED ARE THAT THE FUND PROJECTS YEAR-END INFLATION OF 80 PERCENT, THE 2000 GOVERNMENT BUDGET DEFICIT WILL SWELL TO AT LEAST 23 PERCENT OF GDP (VERSUS 3.8 PERCENT BUDGETED FOR), AND IN REAL TERMS THE IMF THINKS THE ECONOMY WILL SHRINK 5 1/2 PERCENT THIS YEAR AND AT LEAST 6 1/2 PERCENT NEXT YEAR, BARRING "THE VERY REAL THREAT OF A MELTDOWN." AT THE REQUEST OF THE AGRICULTURE MINISTER THE WORLD BANK IS CONDUCTING AN EMERGENCY, TWO TO THREE WEEK-LONG TECHNICAL REVIEW AND ASSESSMENT OF THE CURRENT, ILL-DEFINED, LAND REFORM PROGRAM. THIS REVIEW IS DESIGNED TO LAY OUT THE REALITIES, CONSEQUENCES AND COSTS OF THE CURRENT GOZ FAST-TRACK PROGRAM. END SUMMARY.

AT THE PRECIPICE

¶3. (C) THE IMF TEAM LEADER, PABLO NEUHAUS, PRESENTED

A CONCISE AND FAST-MOVING SUMMARY OF THE CURRENT ECONOMIC SITUATION AND OUTLOOK. THE HIGHLIGHTS ARE: YEAR-END INFLATION PREDICTED AT ABOUT 80 PERCENT; THE 2000 GOVERNMENT DEFICIT ESTIMATED TO BE AT LEAST 23 PERCENT OF GDP BASED ON THEIR AUDITS AND THE RECENTLY RELEASED SUPPLEMENTAL BUDGET (LARGELY DUE TO INCREASES IN WAGES, INTEREST AND DEFENSE SPENDING); AND AN ESTIMATED 5 1/2 PERCENT REAL GDP SHRINKAGE THIS YEAR WITH AT LEAST A 6 1/2 PERCENT DECLINE EXPECTED NEXT YEAR. ON THE PLUS SIDE, THE NEW ECONOMIC MINISTERS (SIMBA MAKONI - FINANCE AND ECONOMIC DEVELOPMENT AND CONFIDENTIAL

PAGE 04 HARARE 05072 01 OF 02 121436Z
NKOSONA MOYO - INDUSTRY AND INTERNATIONAL TRADE)
ADMIT THE GOZ'S ECONOMIC FAILURE TO DATE AND
RECOGNIZE THE NEED FOR SWIFT AND STRONG MEASURES.
THOUGH THE STEPS WERE TOO SMALL AND TOO LATE, THEY
BROKE THE DEADLOCK ON A COUPLE OF KEY ISSUES,
SPECIFICALLY DEVALUATION AND PUBLIC REVELATION OF
SOME, BUT PROBABLY NOT ALL, OF THE COST OF THE
MILITARY IN THE CONGO (Z \$10 BILLION OR U.S. \$200
MILLION SINCE AUGUST 1998). "AT LEAST THEY ARE NO
LONGER IN DENIAL," SAID NEUHAUS, "AS THEIR
PREDECESSORS WERE." WHETHER THEY WILL HAVE THE
LEEWAY TO BE MORE CONSISTENT AND RATIONAL "REMAINS TO
BE SEEN," HE SAID, AND THEIR ACTIONS OVER THE NEXT
MONTH OR TWO WILL BE EXTREMELY KEY IN DETERMINING IF
THE RELATIONSHIP AWAKES FROM "ITS PRESENT DORMANCY."

¶4. (C) NEUHAUS THEN WENT ON TO LIST WHA